## **Introduced by Assembly Member McCarty** (Coauthor: Assembly Member Rodriguez)

February 26, 2015

An act to amend Sections 1265, 1265.3, 1267.5, and 1422.5 of the Health and Safety Code, relating to health facilities.

## LEGISLATIVE COUNSEL'S DIGEST

AB 927, as introduced, McCarty. Health facilities: nursing homes. Existing law provides for the licensure and regulation of health facilities, as defined. A violation of those provisions is a crime. Existing law requires any person or government entity desiring a license for a health facility, approval for a special service, or approval to manage a health facility currently licensed as a general acute care hospital, acute psychiatric hospital, skilled nursing facility, intermediate care facility, or special hospital, that has not filed an application for a license to operate that facility, to file with the department a verified application containing specific information.

This bill would require the denial of an application under those provisions if the applicant fails to provide the requisite information or provide it in the form requested.

Existing law requires each applicant for a license to operate a skilled nursing facility or intermediate care facility to make certain disclosures regarding corporate governance and ownership to the State Department of Public Health. Existing law prohibits certain persons, as defined, from governing or owning a beneficial interest of 5% or more of a skilled nursing facility or intermediate care facility, as specified, without approval of the department.

AB 927 — 2 —

This bill would expand those disclosure requirements and the provisions that prohibit certain persons from governing or owning a beneficial interest in a skilled nursing facility or intermediate care facility, as specified. The bill would establish provisions for the denial of an application under circumstances in which a person named in an application has governed or owned a facility that has violated the law during a certain timeframe, as specified.

Existing law requires the department to implement a consumer information service system regarding long-term care facilities.

This bill would revise the information the system is required to contain and would require it to be available on the Internet by March 1, 2016.

Because this bill would require additional disclosures, of which a failure to disclose or a false disclosure would be a crime, the bill would impose a state-mandated local program.

The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that no reimbursement is required by this act for a specified reason.

Vote: majority. Appropriation: no. Fiscal committee: yes. State-mandated local program: yes.

The people of the State of California do enact as follows:

- SECTION 1. This act shall be known as the Nursing Home Ownership Disclosure Act of 2015.
- 3 SEC. 2. Section 1265 of the Health and Safety Code is amended to read:
- 5 1265. (a) Any person, political subdivision of the state, or 6 governmental agency desiring a license for a health facility,
- 7 approval for a special service under this chapter, or approval to
- 8 manage a health facility currently licensed as a health facility, as
- 9 defined in subdivision (a), (b), (c), (d), or (f) of Section 1250, that
- 10 has not filed an application for a license to operate that facility
- 11 shall file with the department a verified application on forms
- prescribed and furnished by the department, containing all of the
- 12 fellender and furnished by the department, containing an of the
- 13 following:
- 14 <del>(a)</del>
- 15 (1) The name of the applicant and, if an individual, whether the
- applicant has attained the age of 18 years.

-3- AB 927

1 <del>(b)</del>

2 (2) The type of facility or health facility.

3 <del>(e</del>

4 (3) The location thereof.

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6 (4) The name of the person in charge thereof.

7 <del>(e)</del>

(5) Evidence satisfactory to the department that the applicant is of reputable and responsible character. If the applicant is a firm, association, organization, partnership, business trust, corporation, or company, like evidence shall be submitted as to the members or shareholders thereof, and the person in charge of the health facility for which application for license is made. If the applicant is a political subdivision of the state or other governmental agency, like evidence shall be submitted as to the person in charge of the health facility for which application for license is made.

<del>(f)</del>

(6) Evidence satisfactory to the department of the ability of the applicant to comply with this chapter and of rules and regulations promulgated under this chapter by the department.

<del>(g)</del>

(7) Evidence satisfactory to the department that the applicant to operate a skilled nursing facility or intermediate care facility possesses financial resources sufficient to operate the facility for a period of at least 45 days. A management company shall not be required to submit this information.

(h)

(8) Each applicant for a license to operate a skilled nursing facility or intermediate care facility shall disclose to the department evidence of the right to possession of the facility at the time the application will be granted, which may be satisfied by the submission of a copy of applicable portions of a lease agreement or deed of trust. The names and addresses of any persons or organizations listed as owner of record in the real estate, including the buildings and the grounds appurtenant to the buildings, shall be disclosed to the department.

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38 (9) Any other information as may be required by the department 39 for the proper administration and enforcement of this chapter.

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AB 927 —4—

(10) Upon submission of an application to the department by an intermediate care facility/developmentally disabled habilitative or an intermediate care facility/developmentally disabled-nursing, the application shall include a statement of need signed by the chairperson of the area board pursuant to Chapter 4 (commencing with Section 4570) of Division 4.5 of the Welfare and Institutions Code. In the event the area board has not provided the statement of need within 30 days of receipt of the request from the applicant, the department may process the application for license without the statement.

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(b) The information required pursuant to this section, other than individuals' social security numbers, shall be made available to the public upon request, and shall be included in the department's public file regarding the facility.

(l)

- (c) With respect to a facility licensed as a health facility, as defined in subdivision (a), (b), (c), (d), or (f) of Section 1250, for purposes of this section, "manage" means to assume operational control of the facility.
- (d) Failure of an applicant to cooperate with the licensing agency in the completion of an application pursuant to this section shall result in the denial of the application. "Failure of an applicant to cooperate" means that the information required pursuant to this chapter and by regulations of the department has not been provided, or has not been provided in the form requested by the licensing agency, or both.
- SEC. 3. Section 1265.3 of the Health and Safety Code is amended to read:
- 1265.3. (a) For any individual or entity that seeks approval to operate or manage a health facility licensed pursuant to subdivision (a), (b), (c), (d), or (f) of Section 1250 and is subject to Section 1265, the department shall consider the following:
- (1) To determine whether the applicant is of reputable and responsible character, the department shall consider any available information that the applicant has demonstrated a pattern and practice of violations of state or federal laws and regulations. The department shall give particular consideration to those violations that affect the applicant's ability to deliver safe patient *or resident* care.

\_5\_ AB 927

(2) To determine whether the applicant has the ability to comply with this chapter and the rules and regulations adopted under this chapter, the department shall consider evidence that shall include all of the following:

- (A) If any, prior history of operating in this state any other facility licensed pursuant to Section 1250, and the applicant's history of substantial compliance with the requirements imposed under that license, applicable federal laws and regulations, and requirements governing the operators of those facilities.
- (B) If any, prior history of operating in any other state any facility authorized to receive Medicare Program reimbursement or Medicaid Program reimbursement, and the applicant's history of substantial compliance with that state's requirements, and applicable federal laws, regulations, and requirements.
- (C) If any, prior history of providing health services as a licensed health professional or an individual or entity contracting with a health care service plan or insurer, and the applicant's history of substantial compliance with state requirements, and applicable federal law, regulations, and requirements.
- (b) The department may also require the entity described in subdivision (a) to furnish other information or documents for the proper administration and enforcement of the licensing laws.
- SEC. 4. Section 1267.5 of the Health and Safety Code is amended to read:
- 1267.5. (a) (1) Each applicant for a license to operate a skilled nursing facility or intermediate care facility shall disclose to the state department the name and business address of each general partner if the applicant is a partnership, or each director and officer if the applicant is a corporation, and each person having a beneficial ownership interest of 5 percent or more in the applicant corporation or partnership.
- (2) If any person described in paragraph (1) has served or currently serves as an administrator, general partner, trustee or trust applicant, sole proprietor of any applicant or licensee who is a sole proprietorship, executor, or corporate officer or director of, or has held a *direct or indirect* beneficial ownership interest of 5 percent or more in, any other skilled nursing facility or intermediate care facility—or in this state or any other state, in any community care facility licensed pursuant to Chapter 3 (commencing with Section 1500)—of this division, or in any residential care facility

 $\mathbf{AB} \ \mathbf{927} \qquad \qquad \mathbf{-6} - \mathbf{6}$ 

1 for the elderly licensed pursuant to Chapter 3.2 (commencing with Section 1569), the applicant shall disclose the relationship to the state department, including the name and current or last address of the health facility—or, community care facility, or residential care facility for the elderly, and the date the relationship commenced and, if applicable, the date it was terminated.

- (3) (A) If the facility is operated by, or proposed to be operated in whole or part under, a management contract, the names and addresses of any person or organization, or both, having an ownership or control interest of 5 percent or more in the management company shall be disclosed to the state department. This provision shall not apply if the management company has submitted an application for licensure with the state department and has complied with paragraph (1).
- (B) If the management company is a subsidiary of one or more other organizations, the information shall include the names and addresses of the parent organizations of the management company and the names and addresses of any officer or director of the parent organizations. The failure to comply with this subparagraph may result in action to revoke or deny a license. However, once the information that is required under this subparagraph is provided, the action to revoke the license shall terminate.
- (C) If the management company or parent organizations of the management company manage or previously managed any other skilled nursing facility or intermediate care facility in this state or any other state, any community care facility licensed pursuant to Chapter 3 (commencing with Section 1500), or any residential care facility for the elderly licensed pursuant to Chapter 3.2 (commencing with Section 1569), the applicant shall disclose the name and current or last address of the health facility, community care facility, or residential care facility for the elderly, and the date the management commenced and, if applicable, the date it was terminated.
- (4) (A) If the applicant or licensee is a subsidiary of one or more other organizations, the information shall include the names and addresses of the parent organizations of the subsidiary and the names and addresses of any officer or director of the parent organizations.
- (B) If the parent organizations of the subsidiary or applicant own or manage, or previously owned or managed, any other skilled

\_7\_ AB 927

nursing facility or intermediate care facility in this state or any other state, any community care facility licensed pursuant to Chapter 3 (commencing with Section 1500), or any residential care facility for the elderly licensed pursuant to Chapter 3.2 (commencing with Section 1569), the applicant shall disclose the relationship to the state department, including the name and current or last address of the health facility, community care facility, or residential care facility for the elderly, and the date the relationship commenced and, if applicable, the date it was terminated.

- (5) The applicant shall disclose the history of compliance and any history of noncompliance with any applicable state or federal law or regulation for each facility described in paragraph (2), subparagraph (C) of paragraph (3), and subparagraph (B) of paragraph (4) during the period in which any of the following apply:
- (A) Any person described in paragraph (1) had a relationship to the facility.
- (B) Any management company described in paragraph (3) managed the facility.
- (C) Any parent organizations described in paragraph (4) had a relationship to the facility.

(5)

(6) The information required by this subdivision shall be provided to the state department upon initial application for licensure, and any change in the information shall be provided to the state department within 30 calendar days of that change.

(6)

(7) Except as provided in subparagraph (B) of paragraph (3), the failure to comply with this section may result in action to revoke or deny a license.

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- (8) The information required by this section shall be made available to the public upon request, shall be included in the public file of the facility, and by July 1, 2002, shall be included in the department's automated certification licensing administration information management system.
- (b) (1) On and after January 1, 1990, no person may acquire a *direct or indirect* beneficial interest of 5 percent or more in any corporation-or, partnership, *or limited liability company* licensed

-8-**AB 927** 

1 to operate a skilled nursing facility or intermediate care facility, 2 or in any parent organizations of a corporation, partnership, or 3 limited liability company licensed to operate a skilled nursing 4 facility or intermediate care facility, in any management company 5 under contract with a licensee of a skilled nursing facility or 6 intermediate care facility, or in any parent organizations of a 7 management company under contract with a licensee of a skilled 8 nursing facility or intermediate care facility, nor may any person become an officer or director of, or general partner in, a 10 corporation, partnership, limited liability company, or management company of this type without the prior written approval of the state 11 12 department. Each application for departmental approval pursuant 13 to this subdivision shall include the information specified in 14 subdivision (a) as regards the person for whom the application is 15 made. 16

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- (2) The state department shall approve or disapprove the application within 30 days after receipt thereof, unless the state department, with just cause, extends the application review period beyond 30 days.
- (e) The state department may deny approval of a license application or of an application for approval under subdivision (b) if a person named in the application, as required by this section, was an officer, director, general partner, or owner of a 5-percent or greater beneficial interest in a licensee of, or in a management company under contract with a licensee of, a skilled nursing facility, intermediate care facility, community care facility, or residential care facility for the elderly at a time when one or more violations of law were committed therein that resulted in suspension or revocation of its license, or at a time when a court-ordered receiver was appointed pursuant to Section 1327, or at a time when a final Medi-Cal decertification action was taken under federal law. However, the prior suspension, revocation, or court-ordered receivership of a license shall not be grounds for denial of the application if the applicant shows to the satisfaction of the state department (1) that the person in question took every reasonably available action to prevent the violation or violations that resulted in the disciplinary action and (2) that he or she took every reasonably available action to correct the violation or

\_9\_ AB 927

violations once he or she knew, or with the exercise of reasonable diligence should have known of, the violation or violations.

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- (c) The state department shall deny approval of a license application or of an application for approval under subdivision (b) if a person named in the application, as required by this section, was an officer, director, general partner, or owner of a 5-percent or greater direct or indirect beneficial interest in a licensee or in any parent organizations of a licensee of, or in a management company under contract with a licensee of, a skilled nursing facility, intermediate care facility, community care facility, or residential care facility for the elderly at a time during the seven-year period prior to the application in which that facility committed one or more violations of law or regulatory requirements that resulted in any of the following:
- (1) Immediate jeopardy to the health, safety, or welfare of one or more residents.
  - (2) Suspension or revocation of a facility's license.
- (3) Termination of a facility's Medicare or Medi-Cal certification.
- (4) Appointment of a court-ordered receiver pursuant to Section 1327.
- (d) The state department may deny approval of a license application or of an application for approval under subdivision (b) if a person named in the application, as required by this section, was an officer, director, general partner, or owner of a 5-percent or greater beneficial interest in a licensee or in any parent organizations of a licensee of, or in a management company under contract with a licensee of, a skilled nursing facility, intermediate care facility, community care facility, or residential care facility for the elderly at a time during the seven-year period prior to the application in which any of the following occurred:
- (1) The department revoked, suspended, or denied a nursing home administrator's license held or sought by the person.
- (2) The State Department of Social Services revoked, suspended, or denied a residential care facility for the elderly administrator's certificate held or sought by the person pursuant to Chapter 3.2 (commencing with Section 1569).
- (3) The person prevented or attempted to impede the work of any authorized representative of the department.

AB 927 — 10 —

1 (4) The person failed to demonstrate competence in operating 2 a facility.

- (5) The person failed to report abuse of residents in accordance with any state or federal requirement.
- (6) The facility committed one or more violations of law or regulatory requirements that resulted in any of the following:
- (A) A settlement agreement to resolve proceedings to suspend, deny, or revoke the license of a facility or to terminate a facility's Medicare or Medi-Cal certification.
- (B) Appointment of a temporary manager pursuant to Section 1325.5.
- 12 (C) One or more class "A" or class "AA" citations pursuant 13 to Section 1424 or 1424.5.
  - (D) A court order or judgment granting damages or any form of equitable relief, including an injunction, resulting from an action filed by the Attorney General.

<del>(d)</del>

(e) No application shall be denied pursuant to this section until the state department first (1) provides the applicant with notice in writing of grounds for the proposed denial of application, and (2) affords the applicant an opportunity to submit additional documentary evidence in opposition to the proposed denial.

<del>(e)</del>

(f) Nothing in this section shall cause any individual to be personally liable for any civil penalty assessed pursuant to Chapter 2.4 (commencing with Section 1417) or create any new criminal or civil liability contrary to general laws limiting that liability.

<del>(f)</del>

- (g) This section shall not apply to a bank, trust company, financial institution, title insurer, controlled escrow company, or underwritten title company to which a license is issued in a fiduciary capacity.
- (g) As used in this section, "person" has the same meaning as specified in Section 19.
- (h) This section shall not apply to the directors of a nonprofit corporation exempt from taxation under Section 23701d of the Revenue and Taxation Code that operates a skilled nursing facility or intermediate care facility in conjunction with a licensed residential facility, where the directors serve without financial

-11- AB 927

compensation and are not compensated by the nonprofit corporation in any other capacity.

(i) For purposes of this section:

- (1) "Beneficial interest" means the interest held by any person, including a private equity firm and real estate investment trust, that acquires an interest in any entity, including, but not limited to, any firm, association, organization, partnership, business trust, investment trust, corporation, or limited liability corporation, that is licensed to operate a facility, as defined in subdivision (c) or (d) of Section 1250, by assuming that entity's debt.
- (2) "Indirect beneficial interest" means the internet held by any person, including a private equity firm and real estate investment trust, that provides capital or assets to a facility, as defined in subdivision (c) or (d) of Section 1250, in exchange for a share of 5 percent or more of the facility's gross income or profits.
- (3) "Management company" means any company or entity that has assumed operational or managerial control over the facility or who directly or indirectly conducts the day-to-day operations of the facility either under contract or through some other arrangement.
- (4) "Person" has the same meaning as specified in Section 19. SEC. 5. Section 1422.5 of the Health and Safety Code is amended to read:
- 1422.5. (a) The department shall develop and establish a *statewide* consumer information service system to provide <del>updated</del> *current* and accurate information to the general public and consumers regarding long-term care facilities in their communities. The consumer information service system shall include, but need not be limited to, all of the following elements:
- (1) An on-line inquiry system accessible through a statewide toll-free telephone number and the Internet.
- (1) An online information system available on the Internet through an accessible Internet Web site. The Internet Web site created pursuant to this paragraph shall be operational and made available to the public by March 1, 2016, and shall include the information elements specified in paragraph (2).
- (2) Long-term health care facility profiles, with data on services provided, a history of all *deficiencies*, citations and, and complaints for the last—two three full survey cycles, and current ownership

AB 927 — 12 —

1 information. The profile for each facility shall include, but not be 2 limited to, all of the following:

- (A) The name, address, and telephone number of the facility.
- 4 (B) The number of units or beds in the facility.
- 5 (C) Whether the facility accepts Medicare or Medi-Cal patients.
  - (D) Whether the facility has a special care unit or program for people with Alzheimer's disease and other dementias, and whether the facility participates in the voluntary disclosure program for special care units.
    - (E) Whether the facility is a for-profit or not-for-profit provider.
  - (3) Information regarding substantiated complaints shall include the action taken and the date of action.
  - (4) Information regarding the state citations assessed shall include the status of the state citation, including the facility's plan or correction, and information as to whether an appeal has been filed.
  - (5) Any appeal resolution pertaining to a citation or complaint shall be updated on the file in a timely manner.
  - (b) Where feasible, the department shall interface the consumer information service system with its Automated Certification and Licensure Information Management System.
  - (c) It is the intent of the Legislature that the department, in developing and establishing the system pursuant to subdivision (a), maximize the use of available federal funds.
  - (d) (1) Notwithstanding the consumer information service system established pursuant to subdivision (a), by January 1, 2002, the state department shall develop a method whereby information is provided to the public and consumers on long-term health care facilities. The information provided shall include, but not be limited to, all of the following elements:
  - (A) Substantiated complaints, including the action taken and the date of the action.
  - (B) State citations assessed, including the status of any citation and whether an appeal has been filed.
  - (C) State actions, including license suspensions, revocations, and receiverships.
  - (D) Federal enforcement sanctions imposed, including any denial of payment, temporary management, termination, or civil money penalty of five hundred dollars (\$500) or more.

\_13\_ AB 927

(E) Any information or data beneficial to the public and consumers.

- (2) This subdivision shall become inoperative on July 1, 2003.
- (B) The name of the current administrator, director of nursing, and medical director.
- (C) Current and accurate ownership information pursuant to Sections 1265, 1267.5, 1599.64, and 1599.645, including, but not limited to, all of the following:
  - (i) Whether the facility is a for-profit or not-for-profit provider.
  - (ii) The name, address, and telephone number of the licensee.
- (iii) The name and contact information of a single entity that is responsible for all aspects of patient care and the operation of the facility.
- (iv) Whether the facility is part of a multifacility organization and, if so, the name, address, and telephone number of the organization and, if applicable, of any parent organizations.
- (v) Whether the facility is operated by a management company and, if so, the name, address, and telephone number of the management company and, if applicable, of any parent organizations of the management company.
- (vi) The names and addresses of each person who is an officer or director of the licensee, parent organizations, and management company, if applicable.
- (vii) The names and addresses of any person or organization, or both, having an ownership or control interest of 5 percent or more in the licensee, parent organizations, and management company, if applicable.
- (viii) The names and addresses of all long-term health care facilities owned, leased, managed, or operated by any person, corporation, management company, parent organization, or other entity described in clauses (ii) to (vii), inclusive.
  - (ix) The names and addresses of the property owners.
  - (D) The number of licensed beds in the facility.
  - (E) Whether the facility accepts Medicare or Medi-Cal patients.
- (F) Whether the facility has filed a notice of intent to withdraw from the Medi-Cal program, and the date that the notice of intent to withdraw was filed with the department.
- (G) Whether the facility has a special care unit or program for people with Alzheimer's disease and other dementias, and whether

AB 927 — 14—

the facility participates in the voluntary disclosure program forspecial care units.

- (H) Information regarding all complaints, along with any outcome, including, but not limited to, the date of the complaint, the nature of the complaint, the date the complaint was investigated, the action taken, and the date of the action taken.
- (I) Information describing all state and federal deficiencies issued to the facility, including, but not limited to, the date of the deficiency, the nature of the deficiency, the scope and severity of the deficiency, and a statement that the facility's plan of correction is available upon request through the department's district offices.
- (J) Information describing all state citations assessed, including, but not limited to, the date of the citation, the nature of the citation, the class of the citation, the amount of the penalty assessed, and the status of the citation.
- (K) Updated information, on a regular and timely basis, regarding any appeal resolution pertaining to a citation or complaint.
- (L) Information describing state enforcement actions imposed, including, but not limited to, license suspensions, revocations, and the appointment of temporary managers and receiverships.
- (M) Information describing federal enforcement sanctions imposed, including, but not limited to, any denial of payment, temporary management, termination, or any civil monetary penalty imposed.
  - (N) Information on compliance with staffing ratio requirements.
- (O) Any information or data the department deems beneficial to the public and consumers.
- (b) It is the intent of the Legislature that the department, in developing and establishing the system pursuant to subdivision (a), maximize the use of available federal funds.

<del>(e)</del>

- (c) In implementing this section, the department shall ensure the confidentiality of personal and identifying information of residents and employees and shall not disclose this information through the consumer information service system developed pursuant to this section.
- (d) The department shall make current written copies of the long-term health care facility profiles available to the public through its district offices.

—15— AB 927

SEC. 6. No reimbursement is required by this act pursuant to Section 6 of Article XIIIB of the California Constitution because the only costs that may be incurred by a local agency or school district will be incurred because this act creates a new crime or infraction, eliminates a crime or infraction, or changes the penalty for a crime or infraction, within the meaning of Section 17556 of the Government Code, or changes the definition of a crime within the meaning of Section 6 of Article XIIIB of the California Constitution.